

**THE STATE OF NEW HAMPSHIRE**

**MERRIMACK, SS.**

**SUPERIOR COURT**

**Docket No. 217-2006-EQ-00380**

**In the Matter of the Liquidation of  
ACA Assurance**

**LIQUIDATOR'S THIRD REPORT**

I, Roger A. Sevigny, Commissioner of Insurance, as Liquidator ("Liquidator") of ACA Assurance ("ACA") hereby submit this third report on the liquidation of ACA, pursuant to RSA 402-C:25 and RSA 402-C:26, I(c).

1. Publication Notice. As previously reported, publication Notice of the Order of Liquidation and the Claim filing Deadline, together with instructions on how to obtain proof of claim forms was made on December 5, 2012 in the following three (3) newspapers: The Union Leader, The Boston Globe and the Chronicle Telegraph – Quebec. A form of the publication notice is attached as Exhibit A.

2. Proofs of Claim. Consistent with the terms of the Order of Liquidation and the Court's entry of the Order, the claim filing deadline in the ACA liquidation is April 22, 2013. As of March 4, 2013, 14 proofs of claim have been filed with the Liquidator. In addition to these 14 proofs of claim, and pursuant to the Liquidation Order, each of ACA's policyholders whose policies were assessed are deemed to have valid claims in the estate for the full amount of all assessments imposed on ACA's insurance policies without the policyholder having to file proofs of claim with the Liquidator. The number of policyholder assessment claims in the aggregate is estimated at approximately 25,000.

3. Collection of Assets. As described in the various reports filed with the Court by ACA's Rehabilitator, the Rehabilitator collected almost all of ACA's assets which consisted primarily of real estate and mortgages, tax refunds and amounts received from ACA's pension plan upon termination.

The only assets which remain to be collected are a C\$25,000 tax refund due ACA from Revenu Quebec which the Special Deputy is pursuing with Revenu Quebec, and monthly brokerage commission due ACA which totaled approximately \$9,500 in 2012.

4. Claim Determinations and Report; Classification of, and Proposed Distribution to, Former Policyholders. The Liquidator has commenced the process of determining proofs of claim and subject to receipt of additional proofs of claim, anticipates completing the determination of the non policyholder proofs of claim within the next 60 days. Once the April 22, 2013 claim filing deadline has been met and the 60 day period for objections applicable to claim determinations has passed, the Liquidator intends to seek Court approval of a report of claims and recommendations.

As set forth in the Verified and Assented to Petition for Liquidation, the Liquidator also intends to seek the Court's approval to classify the cumulative assessments on ACA's policies as Class II policyholder claims. This classification would place these claims above the claims of general creditors, which are given Class V priority pursuant to RSA 402-C:44.

The Liquidator also intends to seek Court approval to distribute available funds, after the payment of administrative expenses, to the repayment of pre-need policyholders whose policies were assessed at the 40% level in order to reduce their assessment down to the 25% level imposed on the non pre-need policyholders, recognizing that it is unlikely that there will be sufficient funds to reduce the 40% assessment to a level that is close to the 25 % assessment.

5. Status of U.S. Pension Plan. As previously reported in the Sixth Report of the Rehabilitation filed with the Court on August 15, 2012, the Commissioner advised as to (i) the receipt of the final IRS determination letter regarding the Pension Plan's status as a qualified plan; (ii) the receipt of participant elections as to an annuity or lump sum payment upon termination of the plan and distribution of the plan's assets; and (iii) the purchase of a group annuity contract to cover those pension plan participants who elected to receive an annuity in exchange for an aggregate premium payment of

approximately \$580,000. The Commissioner also advised that payouts to the Pension Plan participants were expected to be completed by the end of September, 2012, which payments were made as expected, and final closure of the Pension Plan occurred as of the end of September, 2012. The Liquidator intends to make final Form 5500 filings with the Internal Revenue Service, U.S. Department of Labor and Pension Benefit Guaranty Corporation during 2013.

6. Financial Report. A copy of the unaudited March 1, 2013 statement of assets and liabilities, and receipts and disbursements for ACA is attached as Exhibit B to this report. The statement reflects \$489,791 in assets under the Liquidator's direct control at February 28, 2013 and \$2,579 in cash receipts and \$11,005 in operating disbursements from October 22, 2012 through December 31, 2012 and \$6,858 in cash receipts and \$3,346 in cash disbursements from January 1, 2013 to February 28, 2013. ACA's sole asset on February 28, 2013 was the cash held at TD Bank.

7. Future Activity and Reports. The principal activities of the liquidation prior to the claim filing deadline will be answering any questions directed to the Liquidator in regard to the claim process, monitoring the claims which are submitted to the Liquidator, determining whatever proofs of claim are submitted in advance of the claim filing deadline, and marshaling any outstanding assets of the estate. In light of the limited assets of the estate and the low level of activity expected, the Liquidator requested the Court's approval to permit the Liquidator to report to the Court at three month intervals instead of monthly pursuant to RSA 402-C:25. The Court approved the request by Order dated February 8, 2013.

Respectfully submitted,



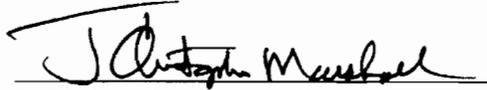
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Roger A. Sevigny  
Insurance Commissioner  
As Liquidator of ACA Assurance

Dated: March 14, 2013

**CERTIFICATE OF SERVICE**

I, J. Christopher Marshall, do hereby certify that on March ~~14~~ 2013, I served a true copy of the foregoing upon the attached Service List, by first class mail, postage prepaid.

A handwritten signature in black ink, appearing to read "J. Christopher Marshall". The signature is written in a cursive style with a horizontal line underneath it.

J. Christopher Marshall, NH Bar #1619

## SERVICE LIST

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**NOTICE OF PUBLICATION ACA ASSURANCE ORDER OF L**

NOTICE OF PUBLICATION ACA ASSURANCE Order of Liquidation placing ACA ASSURANCE ("ACA") in liquidation and appointing the New Hampshire Commissioner of Insurance as Liquidator was entered by the Superior Court for Merrimack County, New Hampshire on October 22, 2012. All persons having claims now or in the future against ACA, whether or not the amount of the claim is presently known, MUST file a Proof of Claim form with the Liquidator on or before the claim filing deadline of April 22, 2013. Proofs of Claim filed after the claim filing deadline will not be paid. Proof of Claim forms may be obtained by downloading the form from the New Hampshire Insurance Department website: [www.state.nh.us/insurance](http://www.state.nh.us/insurance), or by calling 1-800-347-0014 during regular business hours (Monday-Friday, 8:00 a.m. - 4:30 p.m., EDT), or by writing to: ACA Assurance In Liquidation 55 South Commercial Street Manchester, New Hampshire 03101

**ACA Assurance In Liquidation**  
**Statement of Assets and Liabilities, and Receipts and Disbursements**

	January 1, 2013 to February 28, 2013	October 22, 2012 to December 31, 2012
<b>Beginning Cash</b>	\$ <u>486,279</u>	\$ <u>494,705</u>
<b>Cash Receipts:</b>		
Transfer from Terminated Pension Plan - Net	4,511	-
Commission Income	1,738	2,193
Misc Income	609	386
<b>Total Cash Receipts</b>	<u>6,858</u>	<u>2,579</u>
<b>Cash Disbursements:</b>		
Legal Expenses	52	5,203
Consultant and Outside Service Expenses	2,853	5,272
Bank Fees	324	422
Other Expenses	281	108
<b>Total Cash Disbursements</b>	<u>3,510</u>	<u>11,005</u>
<b>Excess of Receipts Over (Disbursements)</b>	<u>3,348</u>	<u>(8,426)</u>
<b>Ending Cash</b>	\$ <u><u>489,627</u></u>	\$ <u><u>486,279</u></u>

**Note - Basis of Accounting**

This financial statement is prepared using the modified cash basis of accounting which differs from accounting principles generally accepted in the United States. Only those assets that are within the possession of the Liquidator and other known amounts for which ultimate realization is expected to occur, primarily investments and cash, and certain receivables, are recorded. Only incurred but unpaid Class I (Administration Costs) liabilities, which are in a creditor class superior to all other classes, are presented in this financial statement.